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APR 7 10-08-00
EXECUTIVE SECRETARY
April 7, 2000

VIA HAND DELIVERY

Mr. David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37245

Re: *Discount Communications, Inc.*
Docket No. 00-00230

Dear Mr. Waddell:

Enclosed are the original and thirteen copies of BellSouth Telecommunications, Inc.'s Reply Brief in the above-referenced matter. A copy of the enclosed is being provided to counsel of record.

Very truly yours,

Patrick W. Turner

PWT/jem

Enclosure

BEFORE THE TENNESSEE REGULATORY AUTHORITY
Nashville, Tennessee

In Re: *Discount Communications, Inc.*

Docket No. 00-00230

REPLY BRIEF OF BELL SOUTH TELECOMMUNICATIONS, INC.

Discount Communications primarily serves customers with credit problems. See Pre-Hearing Brief of Discount Communications ("Discount Brief") at 1. Discount Communications charges these residential customers non-recurring installation charges of \$59.99 and recurring monthly charges of \$22.95 for local service. Discount Brief at 2-3. It charges its Link-Up customers non-recurring installation charges of \$29.99 (even after a federal credit of \$20.25 is applied) and recurring monthly charges of \$12.15 (even after federal and state Lifeline credits totaling \$10.50 are applied). Discount Brief at 2-3. The same company that charges these rates to its customers complains that it should not be required to pay BellSouth's approved and lawful tariffed rates for directory assistance services that it resells to its end users. It also claims it is not required to provide its customers with a \$3.50 state Lifeline credit (but that BellSouth should provide this state Lifeline credit for Discount Communications' customers) because the Tennessee Regulatory Authority ("TRA") allegedly approved a Resale Agreement and a

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BellSouth tariff that "is illegal on its face." Discount Brief at 7. As explained below, Discount Communications is simply wrong on both counts.¹

I. DIRECTORY ASSISTANCE

In a tortured and confusing argument that ignores the plain language of the Resale Agreement, Discount Communications claims that "the difference between the 16% and the 22.56% (sic)² [discount rates included in the Resale Agreement] represents the 'price' of directory assistance and access to operator services." See Discount Brief at 5. Discount Communications then argues that this contorted interpretation of the plain language of the Resale Agreement, coupled with Discount Communications' "belief at the time the Agreement was signed that BellSouth's directory assistance was a 'basic service' included as part of BellSouth's local exchange service," relieves Discount Communications of its contractual obligation to pay BellSouth for directory assistance services that Discount Communications has resold to its end users.³ See Discount Brief at 5. As explained below, Discount Communications' arguments defy both logic and the law.

¹ The parties agree that the Link-Up dispute will not be presented to the TRA during the hearing on April 11, 2000. See Discount Brief at 2 ("both Discount and BellSouth have agreed to await a ruling from the FCC staff before bringing this issue to the TRA."). In reliance on this agreement, BellSouth will not address the Link-Up disputes in this Reply Brief and it will not address the Link-Up disputes during the hearing on this matter on April 11, 2000.

² The discount rates set forth in Exhibit A to the Resale Agreement are 16% and 21.56% (not 22.56%).

- A. Under the plain language of the Resale Agreement, the rates for BellSouth's resold services are the tariffed rates for those services less the applicable resale discount.**

Discount Communications states that "the Resale Agreement signed by the parties does not contain any rate for directory assistance charges." Discount Brief at 4. This statement is true. In fact, the Resale Agreement does not contain any rates for any resold services. Instead, the Agreement plainly and unambiguously states that the rate for any service resold by Discount Communications is the tariffed rate for that service less the applicable discount:

The rates pursuant by (sic) which Discount Communications is to purchase services from BellSouth for resale shall be at a discount rate off of the retail rate for the telecommunications service. The discount rates shall be as set forth in Exhibit A, attached hereto and incorporated herein by this reference. Such discounts shall reflect the costs avoided by BellSouth when selling a service for wholesale purposes.

Resale Agreement at §I.C (emphasis added). Section III.A of the Resale Agreement reiterates that "BellSouth shall make available telecommunications services for resale at the rates set forth in Exhibit A to this Agreement" (Emphasis added).

Exhibit A to the Resale Agreement, in turn, provides that "[t]he telecommunications services available for purchase by Discount Communications for the purpose of resale to Discount Communications end users shall be available at the following discount off of the retail rate." See Exhibit A. This Exhibit clearly

³ Discount Communications is not charged for the first six directory assistance calls that a given end user makes during a billing period month. See BellSouth

states that the discount rate applicable in Tennessee is 16%. This Exhibit also plainly provides that in Tennessee, "the Wholesale Discount is set as a percentage off the tariffed rates. If OLEC (sic) provides its own operator services and directory services, the discount shall be 21.56%." (Emphasis added). Like every other reseller of BellSouth services in the State of Tennessee, Discount Communications clearly agreed to pay BellSouth the tariffed rate for the services being resold less the applicable resale discount.

Unlike any other reseller of BellSouth services in the State of Tennessee, however, Discount Communications' claims that it "understood that the 16% discount rate included BellSouth's directory assistance services and that the 22.56% (sic) rate excluded BellSouth's directory assistance," *see* Discount Brief at 4 (emphasis in original), and that this "understanding" somehow alters the plain language of the Resale Agreement and exempts Discount Communications from paying for the directory assistance services it resells. This simply is not the case. Under Tennessee law, "[c]ourts are to interpret and enforce the contract as written, according to its plain terms," and "[w]hen clear contract language reveals the intent of the parties, there is no need to apply rules of construction." *Warren v. Metropolitan Government of Nashville and Davidson County*, 955 S.W.2d 618, 623 (Tenn. Ct. App. 1997). More significantly,

An ambiguity does not arise in a contract merely because the parties may differ as to interpretation of certain provisions. A contract is ambiguous only when it is of uncertain meaning and may fairly be

understood in more ways than one; a strained construction may not be placed on the language used to find an ambiguity where none exists.

Id.

Provisions in both the Telecommunications Act of 1996 ("the Act") and the TRA's Final Order in Docket No. 96-01331 (the avoidable cost docket) show that Discount Communications' argument is merely a strained construction placed on the language of one particular portion of the Resale Agreement that Discount Communications has ripped out of context in a vain attempt to create an ambiguity where none exists. Section 251(c)(4) of the Act, for example, requires an incumbent local exchange carrier such as BellSouth "to offer for resale at wholesale rates any telecommunications service that the carrier provides at retail to subscribers who are not telecommunications carriers." The Act then provides that for the purposes of implementing this section, "a State commission shall determine wholesale rates on the basis of retail rates charged to subscribers for the telecommunications service requested, excluding the portion thereof attributable to any marketing, billing, collection, and other costs that will be avoided by the local exchange carrier." 47 U.S.C. § 252(d)(3). In accordance with this federal statute, the TRA's Final Order in Docket No. 96-01331 provides "[t]hat the wholesale discount be, and hereby is, established as a set percentage off the tariffed rates" Final Order at 7, ¶2.

Accordingly, the plain language of the Resale Agreement, the plain language of the Telecommunications Act of 1996, and the plain language of the final order in

TRA Docket No. 96-01331 all provide that the resale rate for directory assistance is BellSouth's tariffed rate for directory assistance less the applicable discount. Discount Communications' strained arguments to the contrary are simply desperate attempts to create ambiguity where none exists.⁴ The TRA, therefore, should enforce the plain language of the Resale Agreement and rule that Discount Communications is required to pay BellSouth the tariffed rate for directory assistance less the applicable discount rate for the directory assistance service it resells to its customers.

- B. Discount Communications' purported "belief" that, at the time it signed the Resale Agreement, directory assistance was a basic service under Tennessee law is flatly contradicted by Tennessee statutes and by decisions of the TRA that were in effect at the time it signed the contract.**

Discount Communications claims that "[b]ased on the language in the agreement, interpreted in light of 'the state of the law as it existed at the time the [Agreement] was entered into,' Discount may not be required to pay BellSouth for directory assistance." Discount Brief at 5 (emphasis added). Contrary to Discount Communications' erroneous assertions, however, the state of the law at the time Discount Communications signed the Resale Agreement was that directory

⁴ The Resale Agreement also provides that "resold services can only be used in the same manner as specified in [BellSouth's] Tariff," and that they are "subject to the same terms and conditions as are specified for such services when furnished to an individual end user of [BellSouth] in the appropriate section of [BellSouth's] Tariffs." Agreement, §IV.B (emphasis added). BellSouth's tariffs do not offer a service that blocks calls to directory assistance only after an end user's allowance has been depleted. Discount Communications' request for such a service, therefore, does not negate its contractual duty to pay for directory assistance.

assistance was a non-basic service and that the rates for directory assistance, therefore, were not subject to the four year price freeze in the price regulation statutes. Discount Communications clearly is required to pay BellSouth for directory assistance.

Discount Communications signed the Resale Agreement on March 12, 1998. This was some 20 months after the price regulation statutes had gone into effect, and it was some six months after the TRA issued a final order stating that "directory assistance is a non-basic service under Tennessee Code Annotated § 65-5-208(a)." See September 4, 1997 Order in Docket No. 96-01423 at 17 (emphasis added). The law in effect at the time the contract was signed, therefore, clearly allowed BellSouth to "set rates for [directory assistance] as the company deems appropriate" T.C.A. § 65-5-209(h).

In summary, the plain language of the Federal Act of 1996, the plain language of the final order in TRA Docket No. 96-01331, and the plain language of the Resale Agreement all provide that the resale rate for directory assistance is the tariffed rate less the applicable resale discount. Additionally, the state of the law at the time Discount Communications signed the Resale Agreement clearly permitted BellSouth to set rates for directory assistance as it deemed appropriate. Discount Communications' arguments that its approved Resale Agreement does not require it to pay BellSouth for the directory assistance services it resells to its customers, therefore, defy both logic and the law, and they represent a desperate attempt to avoid paying lawful bills.

II. LIFELINE

On September 2, 1999, the Staff of the TRA sent BellSouth a letter asking "in light of the [FCC's] Universal Service Order, is it appropriate for BST to update note 4 of its resale agreements and its tariffs, to the extent that the Universal Service Order supercedes them?" See Exhibit 1. BellSouth responded that the revised tariffs BellSouth filed on November 4, 1997 made revisions to Lifeline and Link-Up services to comply with the Telecommunications Act of 1996 and various FCC orders, including the Universal Service Order. See Exhibit 2. BellSouth also noted that to the extent that certain tariff references to the second and final order of arbitration awards dated January 23, 1997 may be inconsistent with certain provisions of the Universal Service Order, "BellSouth does not object to amending these provisions in its tariffs." The TRA Staff replied by letter dated September 10, 1999, stating that "I am sure you will file resale amendments and necessary tariff changes with the Authority for approval."

BellSouth did, in fact, file tariff revisions with the TRA for approval as requested in that letter.⁵ On November 4, 1999, BellSouth received a letter from the TRA Staff acknowledging receipt of these revisions and stating

This tariff filing is to Clarify Language Pertaining to the Provisions of Federal Lifeline and Link-Up Credits to Resellers.

In accordance with TRA Rule 1220-4-1-.04, a tariff becomes effective 30 days from the official filing date, provided it is not suspended by

⁵ BellSouth submitted a corresponding amendment to the Resale Agreement to Discount Communications by letter dated October 5, 1999. See Exhibit 3. Discount Communications, however, never responded to this letter.

the Authority. This tariff will become effective November 8, 1999, in accordance with these requirements.

See Exhibit 4. Under Tennessee law, this tariff is "binding upon [BellSouth] and its customers and ha[s] the effect of law. The provisions of the tariff should govern the parties." *GBM Communications, Inc. v. United Inter-Mountain Tel. Co.*, 723 S.W.2d 109, 112 (Tenn. Ct. App. 1986) (emphasis added).

Discount Communications, however, claims that this tariff, which was filed by BellSouth in response to the TRA's inquiries, which was reviewed by the TRA Staff, which drew no opposition or intervention, and which went into effect pursuant to the TRA's rules, is "illegal on its face." Discount Brief at 7. Discount Communications argues that in allowing this tariff to become effective, the TRA committed an act that was so illegal, and so contrary to the FCC's orders, that the TRA should abandon the filed rate doctrine, ignore the prohibitions against retroactive ratemaking, and order BellSouth to retroactively credit Discount Communications in a manner that is flatly inconsistent with the plain language of BellSouth's tariffs. This argument is simply without merit.

Discount Communications claims that "BellSouth is required by the FCC to sell Lifeline service to Discount at a rate that is 'equal to the incumbent LEC's existing retail rate' for that service 'less avoidable retail costs.'" Discount Brief at 6. Discount Communications also states that this requirement "explicitly includes BellSouth's 'below cost and residential services.'" *Id.* This is exactly what

BellSouth has done with regard to the Lifeline services resold by Discount Communications.

In providing Lifeline services to its end users, BellSouth charges the tariffed rate for residential services, applies the \$7.00 federal credit, applies the \$3.50 state credit, and collects only the remaining amount from its end users. In providing Lifeline services for resale, BellSouth charges Discount Communications the tariffed rate for residential services less the applicable resale discount. BellSouth then flows the \$7.00 federal credit, which it obtains from NECA, through to Discount Communications.⁶ Finally, just as BellSouth is required to provide a \$3.50 state credit for its Lifeline end users, BellSouth's tariffs provide that Discount Communications is responsible for providing a \$3.50 state credit to its end users.⁷ BellSouth, therefore, is providing Discount Communications with Lifeline service at a rate equal to BellSouth's existing retail rate less avoided retail costs.

The sole point of contention on this issue revolves around the \$3.50 state credit. Discount Communications concedes that BellSouth's tariffs plainly and

⁶ The \$7.00 federal credit for Lifeline customers is provided through an explicit federal funding mechanism administered by NECA. When BellSouth provides Lifeline services to its end-user, it provides this \$7.00 credit and applies to NECA for reimbursement of this amount. Similarly, when BellSouth resells Lifeline service to Discount Communications, BellSouth provides this \$7.00 to Discount Communications and applies to NECA, on behalf of Discount Communications, for reimbursement for this amount.

⁷ Unlike the \$7.00 federal credit, which is supported by an explicit federal funding mechanism, the additional state credit of \$3.50 currently is not supported by an explicit funding mechanism in Tennessee.

unambiguously state that Discount Communications is responsible for providing this state credit to its own end user customers. See Discount Brief at 3 ("BellSouth argues, correctly, that this practice is consistent with BellSouth's current intrastate tariff and with the language in the Resale Agreement signed by Discount and BellSouth in March, 1998.") (emphasis added). It argues, however, that requiring Discount Communications to provide this \$3.50 state credit to its own end users somehow violates the FCC's Universal Service Order. As explained below, this argument is simply wrong.

As noted in footnote 6 above, currently there is no explicit funding mechanism in the State of Tennessee from which BellSouth, Discount Communications, or any other carrier can obtain the \$3.50 state credit. Instead, in Tennessee a service provider is responsible for providing this \$3.50 state credit to its own end user, and this method of funding is expressly allowed by the Universal Service Order.

In fact, the Universal Service Order acknowledges that "many states currently generate their matching funds [for the \$3.50 state credit] through the state rate-regulation process." Order at ¶ 361. Far from prescribing a specific method of generating matching funds at the state level, the FCC's order notes that "[m]any methods exist, including competitively neutral surcharges on all carriers or the use of general revenues, that would not place the burden on any single group of carriers." *Id.* (emphasis added). The Universal Service Order then plainly and unambiguously states "[w]e see no reason at this time to intrude in the first

instance on the states' decision about how to generate intrastate support for Lifeline. We do not currently prescribe the methods states must use to generate intrastate Lifeline support, nor does this order contain any such prescriptions." Order at ¶ 361 (emphasis added).

The Universal Service Order, therefore, expressly acknowledges the TRA's authority to develop a method of generating the \$3.50 state credit. In Tennessee, this portion of the fund is implemented by requiring the carrier that provides the Lifeline service to fund this amount itself. See Citizens Telecommunications Company of the Volunteer State, LLC Tariff No. 2 §47.1.B ("eligible customers will receive a federal Lifeline service credit of [\$7.00] [1] plus a State Lifeline Service Credit of [\$3.50] [1]"); United Telephone-Southeast, Inc. Tennessee General Subscriber Services Tariff § U3.11.1.C ("federal baseline support of \$5.25 is available for each Lifeline service and is passed through to the subscriber. An additional \$3.50 credit is provided by the state. Supplemental federal support of \$1.75, matching one-half of the state contribution, will also be passed along to the Lifeline subscriber. The total Lifeline credit available to an eligible customer in Tennessee is \$10.50. The amount of credit will not exceed the charge for local service.").

To claim that BellSouth's tariff is "illegal on its face" simply ignores the plain language of the FCC order which permits the states to determine the method by which they will generate the state credit for Lifeline customers. Clearly, the Tennessee Regulatory Authority reviewed BellSouth's tariff and determined that it

was appropriate in light of the FCC's Universal Service Order. It did not allow a tariff that was "illegal on its face" to go into effect.

Accordingly, BellSouth's Lifeline tariff is valid, it binds BellSouth and Discount Communications, and it has the effect of law. Moreover, Discount Communications expressly states that BellSouth's application of the state credit amount "is consistent with BellSouth's intrastate tariff and with the language in the Resale Agreement signed by Discount and BellSouth in March, 1998." Discount Brief at 3. BellSouth, therefore, has provided Discount Communications all the Lifeline credits to which it is entitled, and Discount Communications owes BellSouth the Lifeline charges it has disputed in this docket.

III. ANTICOMPETITIVE ACTIVITY

Discount Communications claims that the fact that BellSouth does not accept Discount Communications' erroneous arguments regarding directory assistance and Lifeline constitutes "a pattern of anticompetitive activities of the type prescribed in T.C.A. §65-5-208(c)." See Discount Brief at 10. Complying with the terms and conditions of a Resale Agreement and Tariffs that have been approved by the TRA is hardly anticompetitive. Additionally, as noted both in "BellSouth's Response to Preliminary Issues List of Discount Communications and Motion to Strike Proposed Issue No. 4" and in the "Brief of BellSouth Telecommunications, Inc.," it is inappropriate for Discount Communications to attempt to dredge vague and unspecified allegations of "other incidents of anti-

competitive behavior" into an expedited hearing to resolve what very plainly are -- and for months have been -- billing disputes.

In fact, Discount Communications' Pre-Hearing Brief confirms BellSouth's concerns that Discount Communications simply is attempting to improperly conduct a trial by ambush on matters totally unrelated to the billing disputes it has presented to the TRA. Discount Communications, for instance, was perfectly willing to fully brief the TRA on the particulars of its directory assistance and Link-Up claims. With regard to its purported anticompetitive issues, however, Discount Communications coyly states

The fourth issue concerns whether BellSouth has engaged in a pattern of anti-competitive activity as evidenced by BellSouth's conduct in regard to the Lifeline and directory assistance issues and other similar actions which have impeded Discount's ability to compete against BellSouth.⁸ Evidence concerning these incidents will be presented by Discount's witnesses at the hearing on this matter.

Discount Brief at 5-6. These two sentences in an eleven-page brief give neither the TRA nor BellSouth any idea as to the matters Discount Communications desires to present or its legal argument related to those matters. They do, however, point out that these allegations of undisclosed other actions have nothing to do with the directory assistance or Lifeline issues the TRA will decide during the April 11, 2000 hearing.

⁸ It is difficult to reconcile this purported impediment to Discount Communications' ability to compete against BellSouth with Discount Communications' statement that it "primarily serves customers who, because of credit problems, cannot obtain local telephone service from BellSouth." Discount Brief at 1 (emphasis added).

IV. CONCLUSION

Discount Communications simply owes BellSouth the amount of the directory assistance and Lifeline disputes at issue in this docket.

Respectfully submitted,

BELLSOUTH TELECOMMUNICATIONS, INC.

By: Patrick Turner
Guy M. Hicks
Patrick W. Turner
333 Commerce Street, Suite 2101
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(615) 214-6301

204512

CERTIFICATE OF SERVICE

I hereby certify that on April 7, 2000, a copy of the foregoing document was served on the parties of record, via the method indicated:

☒ Hand
☐ Mail
☐ Facsimile
☐ Overnight

Richard Collier, Esquire
Tennessee Regulatory Authority
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☐ Facsimile
☐ Overnight

Henry Walker, Esquire
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Nashville, Tennessee 37219-8062



EXHIBIT 1

TENNESSEE REGULATORY AUTHORITY

Malvin Malone, Chairman
Lynn Greer, Director
Sara Kyle, Director



460 James H. Robertson Parkway
Nashville, Tennessee 37243-0541

September 2, 1999

Mr. Guy Hicks
General Counsel
Suite 2101
333 Commerce Street
Nashville, TN 37201-3300

In Re: Resale Agreements

Dear Mr. Hicks:

In standard resale agreements that BellSouth Telecommunications, Inc. (BST) files with the Authority for approval, Exhibit or Attachment B sets forth types of services that are available for resale. Item 5 is generally listed as Lifeline/Linkup and Note 4 appears under the heading of "Discount?" for Tennessee. Note 4 states that:

4. Lifeline/Linkup services maybe offered only to those subscribers who meet the criteria that BellSouth currently applies to subscribers of these services. In Tennessee, _____ shall purchase BellSouth's Message Rate Service at the stated tariff rate, less the wholesale discount. _____ must further discount the wholesale Message Rate Service to Lifeline customers with a discount which is no less than the minimum discount that BellSouth now provides. _____ is responsible for recovering the Subscriber Line Charge from the National Exchange Carriers Association interstate toll settlement pool just as BellSouth does today. The maximum rate that _____ may charge for Lifeline Service shall be capped at the flat retail rate offered by BellSouth.

The blanks refer to the particular reseller that is a party to the agreement filed for approval. The language that is contained in Note 4 comes largely from the Authority's Second and Final Order of Arbitration Awards, In the Matter of the Interconnection Agreement Between AT&T Communications of the South Central States, Inc. and BellSouth Telecommunications, Inc. Pursuant to 47 U.S.C. Section 252, Docket No. 96-01152, and In the Matter of the Petition of MCI Telecommunications Corporation for Arbitration of Certain Terms and Conditions of a Proposed Agreement with BellSouth Telecommunications, Inc. Concerning Interconnection and Resale Under the Telecommunications Act of 1996, Docket No. 97-01271, Order (Arbitration Order) issued on January 23, 1997.

AT&T Communications and MCI Telecommunications both have facilities and could seek recovery of the Subscriber Line Charge (SLC), and other credits, referred

to in Note 4 upon being designated as an Eligible Telecommunications Carriers (ETCs)

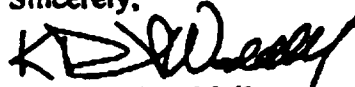
The Federal Communications Commission (FCC) issued Order 97-157, In the Matter of Federal- State Joint Board on Universal Service, in CC Docket No. 96-45 on May 8, 1997 (Universal Service Order). Among other things, the Universal Service Order expanded federal support for Lifeline. Pursuant to the Universal Service Order, BST filed tariff revisions in Tariff No. 97-07542 on November 14, 1997, to be effective on January 1, 1998, that expanded the availability of the Lifeline credits to "...any local service offering available to other residence customers." The Authority voted to approve the revised Lifeline and Link-Up tariffs filed by BST on December 16, 1997.¹

As you may be aware a question has recently arisen as to how a pure reseller of BST Lifeline services would go about recovering the SLC and other credits from the National Exchange Carrier Association (NECA). The Universal Service Order, at paragraph 130 provides that only ETCs designated under section 214(e) shall receive Federal universal service support. At paragraph 133 the FCC concludes that section 214(e) (1) precludes states from designating "pure" resellers as ETCs. Later at paragraph 370 the FCC states:

We further observe that, contrary to the fears of some commenters, a large class of carriers that will not be eligible to receive universal service support—those providing service purely by reselling another carrier's services purchased on a wholesale basis pursuant to section 251 (c) (4) – will nevertheless be able to offer Lifeline service. The Local Competition Order provides that all retail services, including below-cost and residential services are subject to wholesale rate obligations under section 251 (c) (4). Resellers therefore could obtain Lifeline service at wholesale rates that include the Lifeline support amounts and can pass these discounts through to qualifying low-income consumers. (footnotes omitted)...

BST is an ETC and reseller of Lifeline and Link-Up services. In light of the Universal Service Order, is it appropriate for BST to update Note 4 of its resale agreements and its tariffs, to the extent that the Universal Service Order supercedes them? Would BST be willing to amend its resale agreements to pass along to resellers the discounted Lifeline rates? Your detailed response would be appreciated by Thursday, September 9, 1999.

Sincerely,



K. David Waddell
Executive Secretary

Xc: Chairman Melvin Malone
Director Lynn Greer
Director Sara Kyle
Richard Collier
Joe Werner

¹ Order memorializing the Authority's decision was issued on August 12, 1998 in Docket No. 97-07542

EXHIBIT B

Type of Service	AL		FL		GA		KY		LA	
	Resale?	Discount?	Resale?	Discount?	Resale?	Discount?	Resale?	Discount?	Resale?	Discount?
1 Grandfathered Services	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2 Contract Service Arrangements	Yes	Yes	Yes	Yes	Yes	No	Yes	No	Note 5	Note
3 Promotions - > 90 Days	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4 Promotions - < 90 Days	Yes	No	Yes	No	Yes	No	No	No	Yes	No
5 Lifeline/Link Up Services	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes
6 911/E911 Services	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No
7 N11 Services	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No
8 AdWatch SM (See Note 8)	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
9 MemoryCall [®]	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
10 Mobile Services	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
11 Federal Subscriber Line Charges	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
12 Non-Recurring Charges	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Type of Service	MS		NC		SC		TN	
	Resale?	Discount?	Resale?	Discount?	Resale?	Discount?	Resale?	Discount?
1 Grandfathered Services	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2 Contract Service Arrangements	Note 5	Note 5	Note 6	Note 6	Yes	No	Yes	Yes
3 Promotions - > 90 Days	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Note 3
4 Promotions - < 90 Days	Yes	No	No	No	Yes	No	No	No
5 Lifeline/Link Up Services	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Note 4
6 911/E911 Services	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
7 N11 Services	No	No	No	No	Yes	Yes	Yes	Yes
8 AdWatch SM (See Note 8)	Yes	No	Yes	No	Yes	No	Yes	No
9 MemoryCall [®]	Yes	No	Yes	No	Yes	No	Yes	No
10 Mobile Services	Yes	No	Yes	No	Yes	No	Yes	No
11 Federal Subscriber Line Charges	Yes	No	Yes	No	Yes	No	Yes	No
12 Non-Recurring Charges	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No

Additional Comments:

- 1 Grandfathered services can be resold only to existing subscribers of the grandfathered service.
- 2 Where available for resale, promotions will be made available only to end users who would have qualified for the promotion had it been provided by BellSouth directly.
- 3 In Tennessee, long-term promotions (offered for more than ninety (90) days) may be obtained at one of the following rates:
 - (a) the stated tariff rate, less the wholesale discount;
 - (b) the promotional rate (the promotional rate offered by BellSouth will not be discounted further by the wholesale discount rate)
- 4 Lifeline/Link Up services may be offered only to those subscribers who meet the criteria that BellSouth currently applies to subscribers of these services. In Tennessee, Discount Communications shall purchase BellSouth's Message Rate Service at the stated tariff rate, less the wholesale discount. Discount Communications must further discount the wholesale Message Rate Service to LifeLine customers with a discount which is no less than the minimum discount that BellSouth now provides. Discount Communications is responsible for recovering the Subscriber Line Charge from the National Exchange Carriers Association interstate toll settlement pool just as BellSouth does today. The maximum rate that Discount Communications may charge for LifeLine Service shall be capped at the flat retail rate offered by BellSouth.
- 5 In Louisiana and Mississippi, all Contract Service Arrangements entered into by BellSouth or terminating after the effective date of the Commission Order will be subject to resale without the wholesale discount. All CSAs which are in place as of the effective date of the Commission order will not be eligible for resale.
- 6 In North Carolina, Contract Service Arrangements entered into by BellSouth before April 15, 1997, shall be subject to resale at no discount, while BellSouth CSAs entered into after that date shall be subject to resale with the discount.
- 7 Some of BellSouth's local exchange and toll telecommunications services are not available in certain central offices and areas.
- 8 AdWatchSM is tariffed as BellSouth's AIN Virtual Number Call Detail Service

EXHIBIT 2

BELLSOUTH

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Guy M. Hicks
General Counsel

SEP 9 PM 4 02

September 9, 1999

EXECUTIVE SECRETARY

Mr. David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

Re: Resale Agreements

Dear Mr. Waddell:

Please accept this letter in response to your letter of September 2, 1999. To the extent that Note 4 of BellSouth's resale agreements has been superseded by the Federal Communication Commission's ("FCC") Order 97-157 (Universal Service Order), BellSouth does not object to updating Note 4 of its resale agreements.

Moreover, the revised tariffs BellSouth filed on November 14, 1997 made revisions to Lifeline and Linkup services to comply with the Telecommunications Act of 1996 and various FCC orders, including the Universal Service Order. Accordingly, BellSouth believes that its tariffs are consistent with the Universal Service Order with one possible exception. Various sections of these tariffs contain statements to the effect that the resale of Lifeline is subject to the conditions set forth in the second and final order of arbitration awards dated January 23, 1997 (Docket Nos. 96-01152 and 96-01271). See, e.g., General Subscriber Services Tariff Section A3.31.2.A.8. To the extent that these provisions have been superseded by the Universal Service Order, BellSouth does not object to amending these provisions in its tariffs.

You also inquired whether BellSouth is willing to amend its resale agreements to pass along to resellers the discounted Lifeline rates. Assuming that a mechanism can be put in place that will allow BellSouth to provide the reseller's individual customer Lifeline certification to NECA as needed, BellSouth is willing to negotiate an amendment to Note 4 of its resale agreements that would address BellSouth's role as an ETC and the pass-through of the federal Lifeline credit.

I trust this adequately responds to your inquiry. If you have any further questions or comments, please do not hesitate to call me.

Very truly yours,

Guy Hicks by first vice president

Guy M. Hicks

GMH/jem

177852

RECEIVED IN REGULATORY
DATE: 9/16 TIME: 12:49
DISTRIBUTED/INITIALS: Lyp
ATE: 9/16 TIME: 12:55

EXHIBIT 3

BellSouth Interconnection Services
675 West Peachtree Street, NE
Room 34S91
Atlanta, Georgia 30375

Page Miller
(404) 927-1377
Fax: (404) 529-7839

October 5, 1999

Via FedEx

Mr. Edward Hayes
Discount Communications, Inc.
6647 Steeple Chase
Memphis, TN 38141

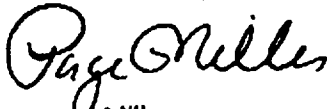
Dear Mr. Hayes:

Enclosed for your review and signature are two original copies of an amendment to the Resale agreement between BellSouth and Discount Communications, Inc. The amendment revises the language in Note 4 of Exhibit B to reference the tariff to obtain the criteria for offering Lifeline and LinkUp services.

Please sign both copies of the amendment and return them to my attention. Jerry Hendrix will sign the agreement on behalf of BellSouth, and I will return a fully executed original to you for your files. Furthermore, I will make the necessary arrangements to have the amendment filed with the appropriate state regulatory agencies.

Please feel free to call me at 404-927-1377 if you have any questions relative to the amendment.

Sincerely,



Page Miller
Manager-Interconnection Services

cc: Mr. Jerry Hendrix

**AMENDMENT
TO THE
AGREEMENT BETWEEN
DISCOUNT COMMUNICATIONS
AND
BELLSOUTH TELECOMMUNICATIONS, INC.
DATED MARCH 13, 1998**

Pursuant to this Agreement, (the "Amendment"), BellSouth Telecommunications, Inc. ("BellSouth") and Discount Communications ("Discount Communications"), hereinafter referred to collectively as the "Parties," hereby agree to amend that certain Resale Agreement between the Parties dated March 13, 1998 ("Agreement").

WHEREAS, BellSouth and Discount Communications entered into a Resale Agreement for the state of Tennessee on March 13, 1998, and;

NOW THEREFORE, in consideration of the mutual provisions contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby covenant and agree as follows:

1. Note 4 of Exhibit B is hereby revised as follows:

Lifeline/LinkUp services may be offered only to those subscribers who meet the criteria that BellSouth currently applies to subscribers of these services as set forth in sections A3 and A4 of the BellSouth General Subscriber Services Tariff.

2. All of the other provisions of the Agreement, dated March 13, 1998, shall remain in full force and effect.

3. Either or both of the Parties is authorized to submit this Amendment to the respective state regulatory authorities for approval subject to Section 252(e) of the Federal Telecommunications Act of 1996.

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be executed by their respective duly authorized representatives on the date indicated below.

Discount Communications

By: _____
Name: _____
Title: _____
Date: _____

BellSouth Telecommunications, Inc.

By: _____
Name: Jerry Hendrix
Title: Senior Director
Date: _____

EXHIBIT 4

TENNESSEE REGULATORY AUTHORITY



Melvin Malone, Chairman
Lynn Greer, Director
Sara Kyle, Director

460 James Robertson Parkway
Nashville, Tennessee 37243-0505

November 4, 1999

NOV 1999

Mr. Jeff Fox
BellSouth Telecommunications
333 Commerce Street, Room 22A1
Nashville, TN 37201-3300

Dear Mr. Fox:

Re: Docket 99-00774

This is to acknowledge your original tariff filing of October 8, 1999 providing tariff pages to the General Subscriber Services Tariff listed below, and your letter dated October 18, 1999 providing revised tariff pages. This tariff filing is to Clarify Language Pertaining to the Provisions of Federal Lifeline and Link-up Credits to Resellers.

In accordance with TRA Rule 1220-4-1-.04, a tariff becomes effective 30 days from the official filing date, provided it is not suspended by the Authority. This tariff will become effective November 8, 1999, in accordance with these requirements.

GENERAL SUBSCRIBER SERVICES TARIFF

Section A3	Fourth Revised Page 75 Sixth Revised Page 76
Section A4	Twenty First Revised Page 7

Sincerely,

David Foster
Regulatory Manager

DF:ld

Enclosures (1)

Emailed
11/4